



FUTURE OF PARTNERSHIPS

A FICCI- Eram Group Initiative



KNOWLEDGE PAPER **FUTURE OF GLOBAL MANUFACTURING PARTNERSHIPS WITH INDIA**

SEPTEMBER 14, 2021

East Asia Division

FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY (FICCI)
FEDERATION HOUSE, TANSEN MARG, NEW DELHI, INDIA



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SECTION 1

BACKGROUND

In this VUCA world, leadership is as much about innovation, as much as it remains to be an ‘art’, in an environment where change is the only constant. An environment wherein independence and interdependence will go hand in hand when we look at future global partnerships. Global leaders continue to strive for excellence while making their businesses resilient and adaptable. At the same time business leaders ought to focus on sustainability and gender diversity, as fundamental principles for their future partnerships. Challenges presided over by opportunities forced us to ‘reimagine the future’ of economic and development partnerships, that touch lives of millions around the world.

FICCI envisages that a platform needs to be created to reimagine business - **LEADS** (Leadership, Excellence, Adaptability, Diversity, Sustainability), which is an Annual International Flagship program of FICCI.

CONTEXT

LEADS 2021 is planned on **14-15 September, 2021**, in a **hybrid format** with an overarching theme of ‘**Future of Partnerships**’. It will facilitate full-day engagements aligned with time zone differences with East Asia, Central Asia, South Asia, ASEAN & Oceania, Europe, Africa, West Asia, Americas, and the Pacific.

India’s diversified supply chain and innovative vision makes it a strong leader in the East Asian Subcontinent and offers a viable option for simplifying business value chains cost-efficiently to economies in this region. The session would attempt to deliberate on leadership vision on manufacturing excellence backed by path-breaking reforms to encourage integration with global value chains, providing an opportunity to the world to reimagine their future manufacturing partnerships in India.

SPEAKER PROFILES



Mr. Manish Sharma, President & CEO (India and South Asia),
Panasonic India



Mr. Manish Sharma, President and CEO at Panasonic India & South Asia, oversees strategy planning, business development for the company's product portfolio and is responsible for propelling growth across the B2C, B2B, and B2G segments. Serving as the Executive Officer of Panasonic Corporation, he is an integral part of the leadership team, contributing in the decision making process for the business, globally.

Mr Dilip Chenoy, Secretary General, FICCI



Dilip Chenoy is currently Secretary General, FICCI. His last full-time assignment was when he served as Managing Director & CEO of the National Skill Development Corporation (NSDC). NSDC is a public-private partnership whose objective is to foster private sector investment and initiatives in training and skill development. While at NSDC he served as co-chair of the Australia-India Joint working group on Skill Development.

Mr Arijit Sen, Vice President, Government Affairs, Vivo India



Arijit Sen has more than two decades of public policy experience across South Asia, having headed the public policy space for HP, Dell & Flex prior to joining vivo. He has contributed towards the government's PLI & SEZ policy and helped formulate the government's MSIPS & SPECS policy and has been a member of the Digital India Empowered Committee on Education.

Mr. Takahiro EBISU, Managing Director, Sojitz India



Mr. Ebisu is Managing Director, Sojitz India. He also holds a position of General Manager, Energy & Nuclear Business Dept. Energy & Social Infrastructure Division of Sojitz India Private Limited. He is also Chairman, Japan Chamber of Commerce and Industry in India (JCCII)



Mr. Fumitaka Taki is Chairman and Managing Director of DENSO International India Pvt. Ltd. the world's second largest automotive component manufacture. In his professional carrier of over 35 years Mr. Taki has obtained a variety of experiences.



SECTION 2

DISCUSSION AGENDA

- Overview of the region with reference to session topic

The importance of East Asia region is reflected in Government of India's Act East policy that has made its relations with its East Asian neighbours a foreign policy priority. In economic terms, the region has Asia's largest and most industrialized economies of China (GDP USD 11.2 trillion), Japan (GDP USD 4.9 trillion) and the Republic of Korea (GDP USD 1.4 trillion). The economic engagement with the region has been rising over the years with Japan being the 3rd largest investor in India with a cumulative investment of US\$26 billion. We have witnessed high interest for investment in India from China in the last one year. Our trade and investment relations with Korea have also showcased a rising trend and we are now in the process of widening the scope of our trade agreement to further boost trade and investment. India's diversified supply chain and innovative vision makes it a strong leader in the East Asian Subcontinent and offers a viable option for simplifying business value chains cost-efficiently to economies in this region.

Global value chains – rewinding and reassessing global value

Global value chains are currently witnessing profound changes and substantive transformations - its end to end processes including raw material extraction to processing, localised production to globalized flows are experiencing a new paradigm for further industrial development and investment strategies based on key external factors which have arisen even before the spread of COVID-19.

Driven by protectionism, surge in non-tariff barriers such as export subsidies, restrictions on foreign direct investment, domestic clauses in public procurement have resulted in an increase in trade distortions.

Inward looking trade strategies by many individual nations due to increasing unemployment levels and economic slowdown are only compounding the situation.

Signs of ageing population in US, Europe, Japan, Korea and even China are resulting in fewer people of working age leading to slower economic growth outlook for these countries in the long run.

Increasing global trade tensions have led to believe WTO's negotiating power to have weakened and its role to settling disputes as quite fledgling.



While Rules of Origin are important for manufacturers as they establish frameworks for supply chains in realizing preferential trade benefits, its relevance is fading.

Presence of strong regional value chain links in parts of North America, South East Asia and European Union have captivated increasing importance of regional production networks as a result of strong ties with the supply base in neighbouring economies.

Technological advancements and innovation such as automation, big data, robotics and the Internet of Things (IoT) are restructuring global value chains towards advanced manufacturing.

India's place in gvcs'

While the emergence of global value chains has been uneven, with a select number of economies spearheading the supply of intermediary parts and components to its final product-India's participation is rightly positioned at this time as an opportunity to integrate and reshape its influence as a key player in global value chains. It is therefore, essential to understand India's key strengths and limitations to scale our advancements.

The outbreak of the COVID 19 pandemic has spurred several countries like the US, Germany, Japan, South Korea, etc., to diversify their supply chain units located in China and reshape its global value in the new normal phase. Increasing number of companies may now look at strategically placing their manufacturing units outside China partially or even consider new investments in other countries based on resources.

FICCI is of the view that this provides a unique opportunity to India and Indian industry in creating new manufacturing supply channels and reinventing itself as a manufacturing powerhouse. India has in place, the key drivers to accelerate and attract foreign investments in to India with joint

development of India's local industries and policy incentives to transform India into a global hub of industrial supply chains.

India has been promoting its manufacturing sector and simplifying the ease of doing business by various initiatives. The **'Make in India' campaign** announced by Prime Minister Modi in 2014 ensures a comprehensive approach to invite foreign companies to invest in India by identifying key sectors for collaboration, easing policies and laws, consolidated services and faster security clearances, etc.

The Government of India has created **'Special Economic Zones'** with the objective to increase exports and investments, generate employment and enhance economic growth. SEZ, provides a single window clearance for development with simplified administrative procedures and significant tax concessions.

The Gol has taken several steps, such as, offering preferential tax rates apart from a reduction in corporate taxes, identifying and developing land in industrial and other areas across India for setting up manufacturing units, providing utilities and other infrastructure and revamping the labour laws and



bringing about other policy changes, to attract investors to India. India is rightly placed in the current scenario to reshape its influence across supply chains globally. India is equipped with one of the largest scientific and technical manpower in the world, including research and development, and its service sector continues to be globally competitive. Additionally, India's capability to supply raw materials and intermediaries offers businesses the prospect of reducing the dependence on multiple global sourcing. In furtherance of such efforts, India will also need to overcome challenges such as low productivity, lack of a robust ecosystem with efficient suppliers, logistical and infrastructural constraints and lack of trade and investment agreements, to emerge as a preferred destination for investment for Japanese companies.

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Key Questions for discussion during the session

- As you all represent leadership of some of the most well known and reputed multi-national of India and East Asia, what do you feel are the basic expectations of foreign players in India from Government of India in order to make India more attractive for attracting foreign direct investment from this region, especially in manufacturing?
- The vision of "AtmanirbharBharat," a self-reliant and resilient India by Prime Minister Modi will define the new paradigm for India's engagement with the world and can be effectively pursued through its economic integration with the global economy. The India-East Asia partnership could take centre stage in this narrative of a new India. What are some of the sectors and areas where you feel East Asia and India can partner in making India become more self-reliant?
- To capitalize on the opportunity, India needs to improve ease of doing business, and undertake reforms relating to land, labour, and taxes. Any comments and suggestions from the panel on these reforms/policies?



- India has great awaited potential for attracting investment from MNEs which may now be looking for diversifying/shifting their production facilities. It should make the best use of this opportunity which has evaded it during the last two decades. What according to this panel will be the key cornerstones/roadmap for “re-energising/reimagining global value chains” and making India an integral part of it?

Conclusion

- India should position itself as Global Manufacturing Hub due to its cost-efficient ecosystem and Government of India’s key initiatives like Production Linked Incentive (PLI) scheme, which expect to expedite local manufacturing.
- The focus going forward should be on Component manufacturing rather than just assembly as local value addition, as it will also help to involve a vast segment of SMEs.
- Eco friendly manufacturing technologies should be central to the idea of this sustainable growth.



SECTION 3

SOCIAL MEDIA COVERAGE

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FICCI Ministry of External Affairs, India Piyush Goyal vivo India Manish Sharma Eram Group Tata Consultancy Services AmbujaNeotia Group Citi Google Panasonic India Trigyn Technologies Mahindra Group

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Established in 1927, FICCI is the largest and oldest apex business organisation in India. Its history is closely interwoven with India's struggle for independence, its industrialization, and its emergence as one of the most rapidly growing global economies.

A non-government, not-for-profit organisation, FICCI is the voice of India's business and industry. From influencing policy to encouraging debate, engaging with policy makers and civil society, FICCI articulates the views and concerns of industry. It serves its members from the Indian private and public corporate sectors and multinational companies, drawing its strength from diverse regional chambers of commerce and industry across states, reaching out to over 2,50,000 companies.

FICCI provides a platform for networking and consensus building within and across sectors and is the first port of call for Indian industry, policy makers and the international business community.



LEADS 2021 is a unique multi-faceted 2-day global thought leadership initiative curated as an engagement platform for insights into five fundamental questions that underlie the quest for global economic prosperity with sustainability, inclusivity and social wellbeing. This year, this programme shall be organised from 14-15 September, 2021. FICCI LEADS is an endeavour to evolve a shared vision among global leaders, to reimagine economic growth on the pillars of globalisation and 'Atma-Nirbhar' economy.

In the backdrop of self-reliance, economic resilience and multilateralism, the focus would be 21st century challenges and giving a fresh meaning to global business value chains. This FICCI initiative is curated towards this objective at a time when we also need to reaffirm solidarity across borders with optimism for the future. FICCI LEADS 2021 will be a confluence of global leaders, influencers and opinion shapers across the spectrum of world economy. The program is open to select audience by special invitation only over 100 countries and India.